

Orange County 2010 Trending Activity Summary

General

Orange County is one of the smaller counties in the state. The county is made up of ten townships with a total parcel count of just under 20,500 total parcels. The real estate market had been relatively slow for several years until recent developments involving the new casino and modernization of French Lick and West Baden hotels. This has led to a dramatic increase in the value of commercial properties near the hotels and casino and a large amount of new development in that area.

During 2008, 2009 and early 2010 the housing sector has been relatively slow throughout the county. There have been several upper-end homes built during this period, but overall prices of existing homes have stabilized and the volume of sales has slowed since the 2005 through 2007 period. The French Lick area had seen significant increases in property values following the work done to the hotels and the addition of the casino, but prices in this area have also now stabilized. New residential developments have been limited to a few large-tract rural subdivisions scattered around the county with only a small number of new homes in those areas.

Commercial

During the 2010 trending project very modest trend factors, in the form of land adjustments, were applied to the commercial properties in the towns of West Baden and French Lick. While there is continued new development following the hotel and casino developments, the pace of new construction and renovation has slowed considerably. Since 2008 the area has seen the addition of an indoor water park with attached hotel, the construction of another motel, the conversion of a factory into a modern indoor go-cart facility, the completion of the PGA quality Pete Dye golf course and the construction of various smaller entities. Conversely, there are multiple vacant commercial and industrial facilities that have been on the market for several months now.

Trending factors developed for the 2009 annual adjustment project resulted in much larger increases during the 2010 time frame to almost all parcels in the West Baden/ French Lick area. These increases far exceeded the increases seen elsewhere in the county. Commercial parcels in both of these taxing units were substantially increased during the 2006, 2007 and 2008 trending projects. Since 2006 the Assessor's appraisal vendor has carried out a complete field inspection and reassessment of about 90% of the commercial parcels in the French Lick area, including yearly inspections of most larger facilities including the hotels and casino.

In Paoli Township commercial and industrial values were adjusted using trend factors in 2010, 2009 and 2008. However, in 2007 a cost index derived from Marshall and Swift was applied to all commercial, industrial, utility and commercial-type exempts in Paoli and all parcels were depreciated based on an effective date of January 1, 2006. As with French Lick, the appraisal

vendor has carried out a thorough review of most commercial and industrial parcels in the Paoli area.

In all of the remaining taxing districts the number of improved sales was limited. In those districts a cost index derived from *Marshall and Swift* was loaded into the county's Proval software system and batch recalculations of commercial and industrial properties were carried out. This was done in 2007, 2008 and 2009. The cost index was developed from reviewing 4 different time-adjusted indexes in the *Marshall and Swift* manual. The index arrived at was 1.33 (133%) for the 2007 trending, 1.39 (139%) for the 2008 trending, and 1.41 (141%) for 2009 trending. After the commercial and industrial recalculation was carried out in 2007, new depreciation figures were applied using January 1, 2006 as the new effective date to determine depreciation instead of the prior January 1, 1999 date. In 2008, new depreciation figures were applied based upon an effective age of January 1, 2007. In 2009 new depreciation figures were applied using an effective age of January 1, 2008. The market data available was used to help determine obsolescence depreciation if needed. During the 2010 project some minor changes were applied, primarily in the form of land multipliers.

Along with indexing the cost tables and applying revised depreciation a larger number of commercial and industrial parcels outside the Paoli and French Lick areas have been reviewed in the field and reassessed. Most of these are in the Orleans area, and include the county's largest industrial facility, Paoli Chair.

Also during the 2007 trending project the French Lick hotel was completely reworked through a combination of new blue prints and multiple field inspections. New construction associated with the casino project, golf course renovation, and event center was all added to the rolls. In 2008 the review of the ongoing construction at the French Lick Hotel and Casino continued, as well as a complete rework of the West Baden Springs domed hotel and grounds. In 2009 and 2010 these properties were again reviewed along with the new Mt. Airie (Pete Dye)golf course which has since opened as a PGA quality course.

Commercial Land

Due to the limited amount of raw land sales for commercial and industrial property, the county contracted with a local appraiser (Magner Appraisal of Paoli) to obtain appraisals of commercial and industrial properties in both Paoli and Orleans Townships. The appraisals carried out were used to supplement and revise the land values established by the county. Commercial land was trended slightly higher in 2010 to capture the demand for new commercial sites and to bring the assessed values closer to full market value in use.

Residential

All sales disclosures for residential properties are initially verified and validated by the county assessor's office by phone contact with the parties involved in the sale. For those parcels where

the sale price and assessed value differ by more than 15%, a field inspection is carried out by the county's appraisal vendor. These inspections often result in finding renovated, omitted or removed improvements. Discussion with the owners onsite yielded new information about the financing or family relationships which do not always appear on the disclosures. Each year the Assessor has attached a spreadsheet with the trending package with a summary of those parcels reviewed in the field during the trending process.

Sale prices throughout the county during 2009 and early 2010 tended to vary from a slight decrease in the Orleans area, to flat in Paoli, and flat to very small growth in the rural areas. After 4 years of significant increases in the French Lick area, prices have stabilized and the amount of activity has dropped considerably. The number of foreclosures, distressed sales, and sales following repossessions rose significantly in 2009 after an already large jump from 2007 to 2008. During 2007 through 2009 trending projects modest trending factors were applied throughout the county. This followed rather significant increases for 2006. From 2006 through 2009 the increases in French Lick far exceeded the remainder of the county, however, for 2010 the price levels have stabilized in French Lick.

Income Producing Properties

Orange County has a limited number of multi-family housing apartments. Most of the multi-family developments are either low-income or elderly housing. The county has obtained income and expense data from the majority of those properties. Almost all of the multi-family apartments were appealed during the 2002 reassessment and/ or following the 2006 and 2007 trending projects. The process of comparing the capitalized net income to the assessed valuations has been an ongoing activity since the 2002 reval. The county has also gathered rental data from residential rentals to develop GRM's and then compared the GRM derived values against the current assessed values.

Other data Sources

The data base for properties available through the MLS has improved in the past few years. The county has utilized what data is available, which is primarily on-line listing fact sheets as comparison of value and also to obtain construction data on both residential and commercial property. The MLS data is still relatively limited compared to MLS data available in most larger counties. What data is available has been incorporated into the 2010 valuation process and has been utilized for prior years also.

As part of the ongoing assessment process the county also has a tax attorney, Marilyn Meighn, on retainer. The county utilizes her services on various appeals each year and she has provided appraisers to help support the county's assessed values. The county also retains the services of independent appraisers when necessary to support assessed values during the appeal process.

Mobile Homes

Pursuant to directions from the DLGF the Assessor has removed single-wide mobile homes from the real property assessment rolls and priced them as personal property. Because of this, multiple sales that appeared on the 2007 ratio study have been removed. No sales involving personal property mobile homes have been utilized in the 2010 ratio study. Also, the county has repriced all double-wide mobile homes as dwellings. This repricing has resulted in assessed values that vary far more than other classes of property when comparing year-to-year assessments.

Neighborhood Review and Reduction of Overstratification

During the 2002 revaluation neighborhood boundaries within incorporated areas tended to follow subdivision lines. While this made the data collection, data entry and land valuation process much easier during the reassessment it has created some issues since. It has required far more changes to the control pages of the county's software system than would be expected and it has required that multipliers be developed from reviewing clusters of similar neighborhoods instead of larger more comprehensive neighborhoods. In 2008 multiple smaller neighborhoods were combined to produce larger neighborhoods that are easier to work with. This allows for stratification, where before the county was overstratified. Below is a listing of those neighborhoods that have been combined:

Paoli (14 small neighborhoods combined into larger areas and inactivated): 1202, 1205, 1206, 1209, 1212, 1215, 1216, 1219, 1224, 1233, 1235, 1237, 1238 and 1240.

West Baden (4 small neighborhoods combined into a larger one):
9302, 9304, 9310 and 9314 all combined into 9312

French Lick (6 neighborhoods combined into larger ones and inactivated): 9206, 9222, 9223, 9224, 9225, and 9227.

Orleans (10 small neighborhoods combined into larger ones and inactivated): 1001, 1003, 1004, 1007, 1008, 1014, 1020, 1022, 1023 and 1025.

In 2009 forty-nine (49) Additional smaller neighborhoods were combined into larger neighborhoods to help reduce the amount of overstratification. Below is a partial listing of additional neighborhoods that have been combined for 2009:

French Lick Township: (4 neighborhoods combined into larger areas)
9103, 9105 and 9106 added to 9107 (9103, 9105 and 9106 now inactive).
9104 added to 9102 (9104 now inactive)

French Lick Town: (9 neighborhoods combined into larger areas)
9201, 9211 added to 9231 (9201, 9211 now inactive)
9204, 9209, 9236 added to 9228 (9204, 9209, 9236 now inactive)
9207, 9220 added to 9229 (9207, 9220 now inactive)
9218 added to 9217 (9218 now inactive)
9234 moved parcels to various neighborhoods (9234 now inactive)

West Baden Town: (1 neighborhood combined into larger area)
9303 added to 9312 (9303 now inactive)

Greenfield: (1 neighborhood combined)
9405 added to 9404 (9405 now inactive)

Jackson: (1 neighborhood combined)
9502 added to 9503 (9502 now inactive)

Northeast: (2 neighborhoods combined)
9601, 9602 added to 9603 (9601, 9602 inactive)

Northwest: (1 neighborhood combined)
9701 added to 9702 (9701 inactive)

Orleans Town: (12 neighborhoods combined into larger areas)
1005, 1011, 1017, 1019, 1021, 1024 added to 1018 (1005, 1011, 1017, 1019, 1021, 1024 now inactive)
1012, 1015, 1016 added to 1010 (1012, 1015, 1016 now inactive)
1026 added to various neighborhoods (1026 now inactive).
1031 and 1049 added to 1030 and 1032 (1031, 1049 now inactive)

Paoli Town: (18 neighborhoods combined into larger areas)
1201, 1232 added to 1214 (1201, 1232 now inactive)
1203, 1208, 1222, 1223, 1225, 1226, 1227, 1230, 1241 added to 1217 (1203, 1208, 1222, 1223, 1225, 1226, 1227, 1230, 1241 now inactive)
1211 added to 1231 (1211 now inactive)
1213, 1228, 1229, 1234, 1236, 1245 added to 1207 (1213, 1228, 1229, 1234, 1236, 1245 now inactive)

During the 2010 trending process two additional neighborhoods have been combined with adjacent neighborhoods and the old neighborhood numbers inactivated. Jackson Township #9503 was added to #9501 and Stampers Creek #1401 was added to #1402.

A complete listing of neighborhoods has been attached as part of the supplemental data for the ratio study. Various smaller neighborhoods have been identified on the list to be combined into other neighborhoods for 2011. This will be done as part of the reassessment process and land valuation process. The 2011 and 2012 neighborhood makeup will be dramatically different than that first used during the 2002 reassessment.

Reassessment Activity Impact

Initial work for the 2012 reassessment began in January of this year. An initial visual, first pass review has been conducted in Jackson Township, Northwest Township and Stampers Creek Township. In these three areas multiple changes have been made to the property cards as a

result of the review. Most of these changes have been housekeeping in nature including property addresses, site descriptions, etc. Actual on-site field inspections began early in 2010 in the Town of Orleans. This activity has been a complete reassessment, and a portion of the fieldwork has been data entered for 2010.

Time Trending of Sales

In order to establish a proper trend factor for adjusting sale prices of sales that occurred prior to January 1 of 2009, two methods were used. First, the same appraisal vendor has been assisting with trending since the 2002 equalization and has an extensive database of older sales to track trends over the years. Also, the Assessor sent questionnaires to local Realtors and appraisers asking for their opinions (in a written format) concerning changes in the market from 2006, 2007 and 2008 through 2009 and through the present. These opinions of market change were used to supplement and support the time adjustments made.

The market has slowed but stabilized throughout the county with the exception of the Orleans area where prices and sales volume are both falling. In rural areas of the county sales are somewhat stronger than sales in nearby towns. There is still some demand for raw land to be used for building and recreation sites and the market for land is slightly stronger than that for homes.

Incorporating the best available data from prior sales and the opinions of Realtors and Appraisers yielded very negligible time adjustments of 1 percent for homes and 2 percent for raw land. The one exception to this is Orleans Township where no adjustment was made for older sales.

While various indexes could be used to establish a time trend those indexes do not accurately capture what is taking place in the market. For example an inflation index of building material would show large changes. The material costs would be substantially higher, but that cost is not reflected in prices of existing homes.

Format Change

Due to the limited number of industrial sales the sales throughout the county of both Industrial Improved and Industrial Vacant have been combined onto one spreadsheet. This was also done with vacant commercial property. All areas, excluding French Lick, were combined onto one page.